

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

August 28, 2009

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Ref. No.: GLS-5513

**HAWAII**

Amend General Lease No. S-5513, Condition 20, Relating to Mortgage; Consent to Mortgage with Estoppel Certificate, Hospice of Hilo, Lessee/Mortgagor, Piihonua, South Hilo, Hawaii, Tax Map Key: 3<sup>rd</sup>/ 2-3-032: 011.

**APPLICANT AND REQUEST:**

Hospice of Hilo, a Hawaii nonprofit corporation, whose business and mailing address is 1266 Waianuenue Avenue, Hilo, Hawaii 96720.

Hospice of Hilo, requesting consent to mortgage from First Hawaiian Bank, Mortgagee, in an amount not to exceed \$3,000,000.00.

**LEGAL REFERENCE:**

Section 171-22, Hawaii Revised Statutes, as amended.  
Section 171-61, Hawaii Revised Statutes, as amended.

**LOCATION:**

Portion of Government (Crown) lands of Piihonua, Parcel 3 situated at Piihonua, South Hilo, Hawaii, identified by Tax Map Key: 3<sup>rd</sup>/ 2-3-032:011, as shown on the attached map labeled Exhibit A.

**AREA:**

2.1340 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution:

YES \_\_\_\_ NO x\_\_

CHARACTER OF USE:

Hospice and allied purposes.

TERM OF LEASE:

65-years, commencing on October 1, 1997 and expiring on September 30, 2062. Last rental reopening occurred on October 1, 2007. Next reopening is scheduled for October 1, 2017.

ANNUAL RENTAL:

\$480.00. Payable in advance, without notice or demand, on October 1st of each and every year.

USE OF LOAN PROCEEDS:

Proceeds from this line of credit will be used to finance construction of a new in-patient hospice facility located on its other State leasehold property.

Funds raised from private sources were obtained to finance the construction of a new in-patient facility. As all funds raised have not yet been received, proceeds from a line of credit will be used in its place so construction can resume. As monies obligated from private sources are received, they will be applied to pay down the principal balance of the loan, until the loan is paid off in full.

REMARKS:

At its meeting of January 26, 1996, under agenda Item F-6, the Board of Land and Natural Resources approved the direct issuance of a 65-year lease to Hospice of Hilo for hospice purposes. General Lease No. S-5513 commenced on October 1, 1997.

At its meeting of March 23, 2007, Item D-2, the Land Board approved a reconsideration of rent for Hospice of Hilo, under General Lease No. S-5513. With its rental reopening scheduled for October 1, 2007, staff recommended that the rents for Hospice of Hilo be set at a nominal rent as approved by the Land Board at its meeting of May 13, 2005.

The Board typically issues leases to private individuals and entities via public auction. The new rent at reopening is established at fair market rental value by an appraisal. If the tenant is an eleemosynary organization, the Board may issue the lease at a nominal rent by direct negotiation.

On May 14, 2009, Staff received an application, commitment letter, and draft mortgage from First Hawaiian Bank, relating to a request for Land Board approval for consent to mortgage of General Lease No. S-5513. Purpose of the mortgage is to provide interim financing for the construction of a new hospice facility located on another State leasehold property encumbered under General Lease No. S-5976. General Lease No. S-5513 currently does not now allow for mortgages to be secured by the lease, therefore, Lessee is requesting Land Board consideration to amend the lease to allow mortgages.

Staff reviewed the file and can report that Lessee is in compliance with all terms and conditions of the lease. Annual rent is current and liability insurance is scheduled to expire on 4/1/2010. A Performance Bond for \$2.00 cash is deposited with Budget & Finance. The Lessee has never been cited for any illegal or unlawful activity on the State property.

There is no outstanding rental reopening issues since the lease rent is fixed for the entire term.

No agency or community comments were solicited, as there will be no change in disposition or use of the land.


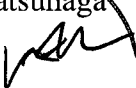
RECOMMENDATION: That the Board:

- A. Amend Condition 20, page 9, of General Lease No. S-5513, to allow the lease premises to be encumbered by a mortgage, subject to the following:
  - 1. The standard terms and conditions of the most current lease amendment document form, as may be amended from time to time;
  - 2. Review and approval by the Department of the Attorney General; and
  - 3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
- B. Consent to the Mortgage with Estoppel Certificate between Hospice of Hilo, Mortgagor, and First Hawaiian Bank, Mortgagee, subject to the following:
  - 1. The standard terms and conditions of the most current consent to mortgage

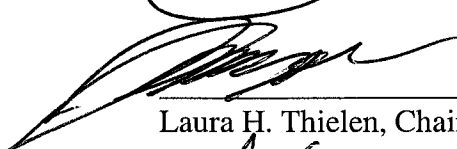
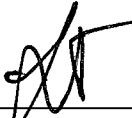

form, as may be amended from time to time;

2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

  
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Wesley T. Matsunaga  
Land Agent 

APPROVED/DISAPPROVED:

    
\_\_\_\_\_  
Laura H. Thielen, Chairperson

8/18/09  
\_\_\_\_\_  
Date

